

2017/2018

PCC FOR AVON & SOMERSET
STATEMENT
OF ACCOUNTS



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

Police & Crime Commissioner for Avon & Somerset

Officers of the Police & Crime Commissioner

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

Sue Mountstevens	Police & Crime Commissioner for Avon & Somerset Phone: 01275 816003
John Smith	Chief Executive and Monitoring Officer to the Police & Crime Commissioner for Avon & Somerset Phone: 01275 816379
Mark Simmonds	Chief Finance Officer to Police & Crime Commissioner for Avon & Somerset Phone: 01275 816380
Address for chief officers:	Valley Road Portishead Bristol BS20 8JJ

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

Andy Marsh	Chief Constable Phone: 01278 646321
Julian Kern	Chief Finance Officer to OCC Phone: 01275 816005
Address for chief officers:	Valley Road Portishead Bristol BS20 8QJ



Statement of Accounts 2017/2018

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Police & Crime Commissioner for Avon & Somerset

Chief Finance Officer's Narrative Report

This section highlights and explains some of the more important matters of finance, financial strategy and other key issues that are reported in the accounts and provides commentary on the key issues that have had a major effect on the finances now and in the future. This statement should be read in conjunction with the Chief Finance Officer's Narrative Report in the Office of the Chief Constable's Statement of Accounts.

1 Introduction

The Statement of Accounts summarises the financial year for 2017/2018. The income and expenditure, assets, liabilities and reserves which are recognised in the accounts of the Police and Crime Commissioner (PCC) reflect the current legislative framework as well as the local arrangements operating in practice. The key elements of the legislative framework and local arrangements include:

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

These financial statements include the following:

- **A statement of responsibilities** - This sets out the responsibilities of the PCC and the CFO in respect of the Statement of Accounts;
- **An annual governance statement** - This statement reviews the effectiveness of the PCC's internal control systems;
- **A comprehensive income and expenditure statement** - This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Taxation is raised to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the movement in reserves statement;
- **A movement in reserves statement** - This statement shows the movement during the year on the different reserves held by the PCC;
- **A balance sheet at 31 March 2018** - The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the PCC. The net assets of the PCC (assets less liabilities) are matched by the reserves held;
- **A cash flow statement** - The cash flow statement shows the changes in cash and cash equivalents during the year. The statement shows how cash and cash equivalents are generated and used by classifying cash flows under operating, investing or financing activities;
- **A police officers pension fund account statement** - This statement summarises the total police officer pension contributions and pension benefits paid. The difference is funded by the Home Office.

2 Presentation of the Statement of Accounts

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

2.1 Police Reform and Social Responsibility Act 2011

The Police Reform and Social Responsibility Act 2011 set up new accountability and governance arrangements, establishing both the Office of the PCC and the Office of the Chief Constable (OCC) as separate 'corporations sole'. In this new regime, each is a separate legal entity, though the Chief Constable is accountable to the PCC. Both the PCC and OCC are Schedule 2 bodies under the Local Audit and Accountability Act 2014 and are both required to publish a statement of accounts and be subject to audit.

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

As in the previous three years, the accounts are prepared after consideration of the above factors and having regard to:

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

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

Therefore, the accounting treatment adopted is:

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

3 Revenue Spending in 2017/2018

3.1 The Revenue Budget

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

- Constabulary budget - £272.7m (2016/2017 £271.3m);
- OPCC budget - £1.35m (2016/2017 £1.35m);
- Commissioning of Victims, Community Safety, and Offender services - £3.5m (2016/2017 £3.4m).

Having consulted with the residents of Avon and Somerset, the PCC made the decision supported by the Police and Crime Panel to increase council tax in 2017/2018 by 1.99%. This raised the average household council tax bill for policing to £181.81, an increase of £3.55 per annum.

Setting a budget in 2017/2018 under the prevailing conditions of reduced central government funding, inflation and other unavoidable financial commitments meant it was necessary to identify and deliver further savings.

The core budget and planning parameters for 2017/2018 were:

- Total increase in funding of £1.5m;
- Inflationary and other cost increases for both pay and non-pay expenditure of £10.4m;
- Total savings taken from the budget of £8.9m;
- A commitment to maintain front line police officer numbers as far as possible;
- A commitment to increase investment in strategic technology programmes;
- Funding required to deliver the PCC's Police and Crime Plan objectives.

3.2 Revenue Financial Performance

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

The reported outturn was a breakeven position for 2017/2018 after making the provisions for known liabilities and the prudent funding of capital expenditure from revenue budgets to delay the need to incur new borrowing.

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

- Delivery of savings in accordance with the budget plan;
- Managing reorganisation costs and the increasing costs of legal claims and the costs of insurance;
- Above budget spend on overtime being offset by savings from vacancy management and savings in core headcount as the Constabulary organisational model was reviewed by the new Chief Constable and his senior team.

A full account of the financial performance for the 2017/2018 has been provided to the PCC at the Police & Crime Board, and the paper which sets this out can be found published on the PCC's website.

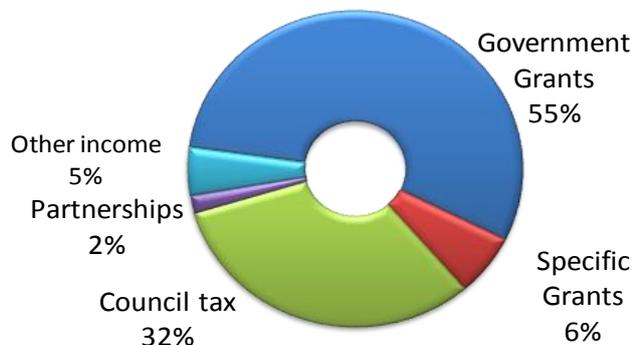
The following table summarises the revenue financial performance for 2017/2018:

	Budget £'000	Expenditure £'000	Over/ Under (-) £'000
Neighbourhood & partnerships	35,913	35,506	-407
Response	74,026	71,043	-2,983
Operational support	34,829	35,266	437
Investigation	24,986	23,856	-1,130
Collaboration	27,803	27,129	-674
Enabling services	60,045	58,971	-1,074
Central costs & miscellaneous	15,108	20,939	5,831
Constabulary sub total	272,710	272,710	0
Office of the PCC	1,354	1,354	0
Commissioning	3,488	3,488	0
Total revenue expenditures	277,552	277,552	0

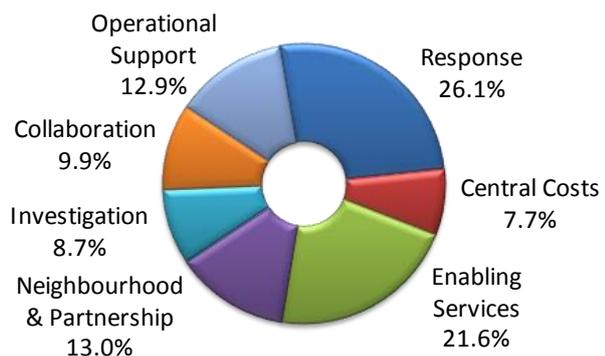
It should be noted that the expenditure figure above cannot be directly agreed with the comprehensive income and expenditure statement on page 27 where the costs of our activities include items which do not have an impact on the tax payer and are adjusted through the general fund balance.

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

Income



Net expenditure by operational activity



3.3 Impact on Reserves

During 2017/2018 the PCC agreed with the Chief Constable to utilise reserves in support of the ongoing transformation programmes, to fund capital expenditure and in accordance with their earmarked purpose.

The insurance reserve has been ceased and the provision for insurance claims stated in accordance with actuarially derived results.

Transformation projects funded from reserves in the year included a far reaching mobilisation and digital policing programme and investments to manage digital evidence.

At 31 March 2017 our earmarked reserves stood at £26.7m and at the year-end 31 March 2018 they have decreased to £25.3m. More details on our earmarked reserves can be found at note 24 of these accounts.

3.4 Accounting for Pensions

In line with the International Accounting Standard IAS 19 employee benefits there is a significant pension liability of £3.6bn shown on the balance sheet. This liability is reduced to £3.3bn when pension scheme assets of £0.3bn are taken into account. More detail around this liability is disclosed in notes 13 to 15 to the accounts. The liability has no impact on the reported outturn and the usable reserves.

3.5 Employee Numbers

The number of full time equivalent employees as at 31 March 2018 is shown in the table below:

Employees	Male Number	Female Number	Total 2017/2018 Number
Number of Employees			
OPCC	3	17	20
OCC	2,910	2,343	5,253
Total	2,913	2,360	5,273
Number of Senior Employees			
OPCC including the PCC	2	1	3
OCC	7	4	11
Total	9	5	14

3.6 Operational Performance

The total number of recorded crimes has increased by 1% in the last twelve months. The total number of calls to the police (999 and 101) has reduced slightly in the last year (over 850,000 calls to '999' and '101' received in 2017/2018).

HMICFRS's 2017 PEEL Assessment for Avon and Somerset¹ rated the Force as "good" in "Efficiency" (incorporating value for money), "Effectiveness" and "Legitimacy". These are the same ratings as last year but the HMICFRS noted in all three areas an improving trend.

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

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

The first priority within the PCC's Police and Crime Plan (the "Plan") is 'protect the most vulnerable from harm' and this priority specifies a number of crimes where there is an aspiration to improve service for victims. These are:

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

Reporting levels for each of these crime types have increased.

Rates of positive outcomes overall have declined from 16% to 13% but improved in areas of child abuse and sex exploitation.

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

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

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

3.7 Performance – Looking Ahead

The performance aspirations until 2020 are set out in the PCC's Police & Crime Plan. The Chief Constable and PCC are working together to ensure the best possible delivery of the Police & Crime Plan. The Constabulary are embedding changes into their people and processes following a priority based review of their organisation and the implementation of new technology.

4 Capital Expenditure in 2017/2018

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

During 2017/2018 capital spending amounted to £19.4m. The following table shows how the money was spent.

Capital Expenditure	2017/2018	
	£'000	%
Rolling replacement and renewal	5,397	27.8
Other projects	645	3.3
Service design and development	1,454	7.5
Digital programme	9,182	47.2
Infrastructure programme	2,760	14.2
	19,438	100.0
Non-enhancing expenditure written off to revenue	-363	
	19,075	

4.1 Estate Strategy

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

4.2 Treasury Management

In the financial year 2017/2018 the PCC complied in full with the CIPFA prudential code of practice and CIPFA Treasury Management code of practice and operated within all agreed prudential indicators set out in the published Treasury Management Strategy Statement.

The PCC continued to adopt a passive borrowing strategy and will only take new borrowing if absolutely required to manage risk, support capital programmes, and manage cash holdings. Within the year, no new borrowing has been required. As a result net total borrowing decreased by £1.2m in 2017/2018 to £39.8m. In addition to new debt funding, the PCC utilises direct revenue funding, capital reserves, receipts from the sale of assets and other government grants in order to fund capital programmes which must all have approved business cases.

Cash balances remained stable during the year and are still sufficient to underwrite the reserve levels required by the PCC for risk and capital funding and manage working capital movements. Deposit return rates remain very low at an average of around 0.6%. With the cash holdings, the PCC has extended the approved counterparties that may be used to spread risk and maximise returns whilst always adhering to the agreed counterparty ratings limits and prudential indicators set out in the published treasury management strategy.

5 Looking Ahead to 2018/2019 and the Medium Term

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

The successful achievement of planned changes from 2010 to the end of March 2018 generated over £74m of savings. The PCC has agreed a savings plan with the Constabulary and other partners to release a further savings of £7.8m between April 2018 and March 2021.

After agreed savings for the next four years and planned rises in the police council tax precept, we forecast that a further £4m of savings will still be required by March 2022. This residual savings target is considered low risk and achievable given the emerging scale of large savings programmes that are currently being scoped for collaboration and technology investment.

5.1 2018/2019 Revenue Budget

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

- Constabulary budget - £279.75m (2017/2018 £272.7m);
- OPCC budget - £1.36m (2017/2018 £1.35m);
- Commissioning services for Victims, Community Safety, and Offender services - £3.5m (2017/2018 £3.5m). This budget includes the cost of a victims service which has been funded from existing budgets and from part of a £1.9m grant to the PCC from the Ministry of Justice (MoJ) for victims services. The £1.0m balance of the MoJ grant is used to part fund the integrated victim care “Lighthouse” service delivered by the Constabulary.

The main budget challenges and planning parameters for 2018/2019 are:

- Total increase in funding of £6.9m, after accounting for:
 - Unchanged levels of main grant funding;
 - Increase in council tax income of £6.9m, as consequence of a 1.3% increase in the council tax base, a reduction in annual collection fund surplus and a 6.6% increase in precept as set by a headline £12 increase on an average Band D council tax bill;
- Inflationary and other cost increases for both pay and non-pay expenditure (including increased victims commissioning funded by MoJ grant) of £11.3m;
- Total savings budgeted in the year of £4.4m.

5.2 Policing Precept 2018/2019

The Policing Minister announced “£450 million extra” funding for police in 2018/19, of which the Minister confirmed that £270m would be raised by PCCs increasing their average Band D police council tax precept by £12 per annum.

At the same time the main police grant has been frozen for two years.

In accordance with this announcement and after supportive public consultation, the PCC chose to raise increased funding through the council tax police precept in 2018/2019 with a 6.6% increase in police precept. This takes the average (band D) council tax police precept up by £12 per annum to £193.81 per annum. This increase was necessary to avoid further harmful cuts to policing highlighted in “The Tipping Point”² report published in September 2017 by the PCC. The additional funding will underwrite the recruitment of up to 300 new police officers in 2018/19 and the roll out of new mobile technology to the front line.

The PCC consulted with local communities and conducted a survey of over 3,000 residents during the year about her council tax precept strategy and approach for future years before forming plans for the precept in 2018/2019 and found continued support for increasing the policing precept to protect front line policing in the region.

5.3 Capital Programme 2018/2019 and beyond

The PCC has agreed funding to support the capital programme over the next five years at a level of £60m. This will fund investments in ICT, Estates, Fleet and other assets. All these capital investments are subject to final business case approval.

ICT projects include: mobile working; data analytics; national systems and new collaborative enterprise resourcing planning systems.

² <https://www.avonandsomerset-pcc.gov.uk/Document-Library/TERM-TWO/Finance/The-Tipping-Point.Sept-17.pdf>

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

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

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

5.4 Home Office Transformation Funds

The PCC was successful in 2017/18 in securing £250k transformation funding to commission a detailed and independent study into the options for future fire governance by PCCs. This report was published in March 2018.

The Chief Constable was successful in securing just over £3.1 million transformation funding over two years 2017/18 and 2018/19 to build a regional data analytics hub that will collect, process, share and present data to improve decision making across a wide range of participating partners. The data will be sourced from local partners including: police; fire; local government; and health.

5.5 Victims Commissioning and Safer Communities

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

The PCC's total commissioning budget of £3.5m in 2018/2019 is materially unchanged from the previous year and includes an integrated victim care service which is part funded from a £1.9m victim services grant from the MoJ. In addition the PCC has commissioned emotional support and specialist advocacy services for victims.

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

The PCC is committed to safer and stronger communities and this in turn will continue to make the region an attractive place for people to be resident. In addition, the PCC has run a Business Crime Forum which is improving working practices and relationships between the police and business crime reduction partners in the region. The PCC wishes to engage the police more closely with businesses and other partners to drive out best practice and drive down business crime, hence boosting business growth, investment and employment in the region.

5.6 Commissioner's Community Action Fund

The PCC has completed another successful year of her Commissioner's Community Action Fund that provided over £130k to local community projects. This money was allocated during the year to successful bids for small grants.

5.7 Approach to Future Challenges and Funding

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

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

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

5.8 Efficiency and Effectiveness

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

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

5.9 Risk profile, management, and mitigation

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

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

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

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

- The PCC continues to hold the Chief Constable to account to deliver the Police & Crime Plan priorities. Whilst the feedback from HMICFRS inspections is encouraging the PCC and Chief Constable agree that there are still areas for improvement;
- £4m of new savings are required over the next four years in addition to £8m of savings already agreed with the Chief Constable in order to balance the budget over this period. This is less onerous than had been feared before the Police Settlement and the basket of savings options from new collaboration and efficiency from new systems exceeds the £5m level;
- In some areas, police resources and capability are not always matching changing demand (including: cybercrime, safeguarding, CSE, domestic abuse, sexual violence and human trafficking). This is under close review from demand management working groups and resources are being prioritised to these areas;
- Past performance in delivering ICT change and major projects has been mixed. The delivery now of large collaboration, ICT and enabling services projects will underpin effective delivery of policing services in the next few years. Programme boards have been established both locally and regionally and budgets are only agreed against approved business cases to mitigate and manage these risks. Programme management is in place and the PCC and Chief Constable retain close scrutiny of major projects;
- Crime recording and data quality remain areas of focus.

5.10 Conclusion

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

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

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

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



Mark Simmonds BSc (Hons), ACA

Chief Finance Officer to PCC

23 July 2018

Police & Crime Commissioner for Avon & Somerset

Statement of Responsibilities

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

1 Police and Crime Commissioner's Responsibilities

The Police and Crime Commissioner is required to:

- Make arrangements for the proper administration of the Police and Crime Commissioner's financial affairs and to make sure that one of its officers, the Chief Finance Officer, has responsibility for the management of those affairs;
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

2 The Chief Finance Officer's Responsibilities

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

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

- chosen suitable accounting policies and then applied them consistently;
- made reasonable and prudent judgements and estimates;
- complied with the CIPFA Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud, including preparing an audit and risk-management strategy; and
- made sure that the internal control systems are effective – pages 19 to 26 show this in more detail.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Police and Crime Commissioner as at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.



Sue Mountstevens
Police and Crime Commissioner
23 July 2018



Mark Simmonds BSc (Hons), ACA
Chief Finance Officer to PCC
23 July 2018

Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Police and Crime Commissioner for Avon and Somerset (the 'Police and Crime Commissioner') and its subsidiary the Chief Constable (the 'group') for the year ended 31 March 2018 which comprise the Group Comprehensive Income and Expenditure Statement, the PCC Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the PCC Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and Notes to the Financial Statements, including the Statement of Accounting Policies, and include the police pension fund financial statements of the Avon and Somerset Police Officers Pension Fund comprising the Fund Account and the note to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Police and Crime Commissioner as at 31 March 2018 and of the group's expenditure and income and the Police and Crime Commissioner's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

This report is made solely to the Police and Crime Commissioner, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Police and Crime Commissioner those matters we are required to state to the Police and Crime Commissioner in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Police and Crime Commissioner as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

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

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

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Group and PCC financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and the Police and Crime Commissioner obtained in the course of our work including that gained through work in relation to the Police and Crime Commissioner's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Police and Crime Commissioner under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

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

As explained more fully in the Statement of Responsibilities, the Police and Crime Commissioner is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. That officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the group's and the Police and Crime Commissioner's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Police and Crime Commissioner lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Police and Crime Commissioner.

The Police and Crime Commissioner is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Police and Crime Commissioner

The Police and Crime Commissioner is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Police and Crime Commissioner has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Police and Crime Commissioner's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Police and Crime Commissioner had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Police and Crime Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Report on other legal and regulatory requirements - Certificate

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

Iain Murray

Iain Murray

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

30 Finsbury Square
London
EC2A 1AG

23 July 2018

Police & Crime Commissioner for Avon & Somerset

Annual Governance Statement

There is a statutory requirement to prepare the Annual Governance Statement which sets out the internal controls in place to ensure 'proper practices' in accordance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The statement also considers the extent to which the aspirations set out in the PCC's Code of Corporate Governance are currently being met.

The statement sets out the detailed arrangements which support the view of the Commissioner and her Chief Finance Officer (CFO) that the financial management arrangements conform with the governance requirements of the updated CIPFA statement on the role of the CFO in Local Government (2016).

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

1 Scope of Responsibilities

This statement covers the PCC's own office and the group position of the PCC and OCC. A separate governance statement for the OCC is included in the accounts for the OCC.

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

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

The PCC and OCC are responsible for ensuring their business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the PCC and OCC are responsible for putting in place proper arrangements for the governance of their affairs and facilitating the exercise of their functions, which includes ensuring that a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

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

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

2 The Governance Framework

The governance framework in place throughout the 2017/2018 financial year covers the period from 1 April 2017 to 31 March 2018 and up to the date of approval of the Annual Statement of Accounts.

This framework comprises the systems, processes, culture and values by which the PCC and OCC operate and the activities through which the PCC engages with and is accountable to the public. It enables the PCC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services which provide value for money.

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

Although the Chief Constable is responsible for operational policing matters, direction of police personnel and making proper arrangements for the governance of the Constabulary, the PCC is required to hold him, and those under his direction and control, to account for the exercise of those functions. The PCC must therefore satisfy itself that the Constabulary has appropriate mechanisms in place for the maintenance of good governance and that these operate in practice.

This statement provides a summary of the extent to which the aspirations set out in the PCC's Code of Corporate Governance are currently being met. It is informed by assurances set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and by ongoing internal and external audit and inspection opinion. The PCC's and OCC's principles of good governance are:

2.1 The Policies of the PCC, outcomes for the community and creating and implementing a vision for the local area

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

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

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

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

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

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

The PCC's scheme of governance including Standing Orders, Financial Regulations and Scheme of Delegation sets out a governance framework for the PCC, her officers and the Constabulary to work together.

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

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

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

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

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

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

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

Independent Residents Panel

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

Scrutiny of police powers

The PCC has developed this panel during the year with new members and improved access to police body worn video footage. The panel scrutinises the

use of Taser, Stop and Search and other police powers by the Constabulary by dip sampling cases, reviewing video footage and other records and thematic review.

The PCC is a member of the Constabulary Ethics Committee which provides a forum to address ethical issues.

2.4 Ensuring compliance with laws and regulations

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

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

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

The PCC was awarded the OPCC Transparency Quality Mark by CoPaCC in December 2016 and in January 2018.

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

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

2.5 Effective and efficient management of human resources

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

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

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

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

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

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

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

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

Service Delivery Assurance

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

Partner Engagement Meetings

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

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

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

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

Regional Representation

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

National Representation

The PCC is a member of the National Association of Police and Crime Commissioners - through this access is gained to various national agencies and groups.

2.7 Financial controls, accuracy and reliability of published statements

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

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

- Financial Regulations establish the principles of financial control. They are designed to ensure that the PCC conducts its financial affairs in a way which complies with statutory provision and reflects best professional practice. Standing Orders set out the rules to be followed in respect of contracts for the supply of goods and services;
- Responsibility and accountability for resources rest with managers who are responsible for their allocated budgets and their service provision;
- The PCC has adopted the CIPFA Code of Practice on Treasury Management requiring the PCC to consider, approve and publish an annual treasury management strategy including an annual investment strategy HMICFRS 'PEEL' inspection;

- In accordance with the Prudential Code and best accounting practice the Constabulary and PCC produce a rolling four-year Medium Term Financial Plan (MTFP) and a five-year capital programme. These are considered on an ongoing basis and form the core of further detailed deliberation on setting the precept level, the annual revenue budget and capital programme;
- The MTFP and supporting working are published and include full provision for inflation, known commitments and other expenditure items which the PCC and Chief Constable have identified as necessary to deliver the national policing requirements and the PCC's police and crime plan;
- The revenue budget is published and provides an estimate of the annual income and expenditure requirements for the police service and sets out the financial implications of the PCC's policies. It provides chief officers with the authority to incur expenditure and a basis on which to monitor the financial performance of the PCC;
- The PCC presents her precept proposals to the Police & Crime Panel (PCP) by the end of February for their consideration and considers their recommendations, prior to finalising the budget and precept in March;
- Capital expenditure is published and the PCC considers and then approves a capital programme each year and monitors its implementation and funding closely at Joint Finance meetings;
- The PCC has established an oversight framework and set of principles for projects designed to deliver the savings required to meet reduced levels of funding from the latest CSR;
- The PCC has approved a balanced budget for 2018/2019 with a 6.6% increase in council tax precept and identified a much reduced forecast budget deficit of £4m to close for the next four years thereafter. This is after £8m of planned savings have been delivered by the Constabulary;
- The work to identify savings will include the Constabulary's revised operating model, as well as investment in estates and technology to make delivery of policing better and more efficient. Collaboration and alliance programmes with other police forces, local partners and other blue light services are an increasingly important element of future savings plans;
- Quarterly financial performance reports are presented to the PCC at the Police & Crime Board, and are published through the PCC's website enabling wider scrutiny of financial performance by the public;
- Savings to date have been achieved on or ahead of plan and the resulting under spends in previous years have been used to secure provisions and reserves to meet risk assessed and actuarially assessed levels as well as funding the costs of change.

3 Review of Effectiveness

The PCC has a responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal audit and system of internal control. This is informed by the internal audit assurance, information gathered from PCC and Constabulary senior management, external audit opinions and reviews conducted by other agencies and inspectorates.

For 2017/2018 these considerations took account of:

- the internal auditor's reports to the Joint Audit Committee (JAC) throughout the year and their annual report to JAC;
- external auditors' comments reported at JAC meetings;
- the HMICFRS 'PEEL' inspection;
- the Force Strategic Risk Register;

- the PCC's Strategic Risk Register;
- the Outturn position for 2017/2018 that delivered savings as planned; and
- the planning and development of the MTFP for 2018/2019 and the following four years.

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

4 Governance, assurance and risk

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

Joint Audit Committee (JAC)

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

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

HMICFRS PEEL inspections 2017

The HMICFRS Peel 2017 inspections rated the Constabulary as "Good" in the three core inspection themes of Effectiveness, Legitimacy and Efficiency (value for money).

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

In summary HMICFRS reported that the Force provides a good level of service to the people of Avon and Somerset, is good at protecting vulnerable people from harm and good at supporting victims. The Force has maintained and in some respects improved its performance since the previous assessment.

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

The areas identified within the 2017 HMICFRS inspection for further improvement and consideration are:

- Improving the management of complaints;
- Improving communication to the workforce about wellbeing services;
- Taking further steps to understand better the reasons underlying certain performance trends identified;
- Improving the governance and scrutiny of the management of registered sex offenders;
- Improving feedback from the victims of domestic abuse and understand better the declining arrest and charge rates in domestic abuse cases;
- Addressing capacity challenges in investigations and intelligence areas, including developing further the work to understand and reduce the threat posed by serious and organised crime.

Internal Audit Programme and Head of internal audit opinion 2017/2018

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

This year's Internal Audit opinion, which is based on the 12 months ended 31 March 2018, reports that the PCC and OCC have an adequate and effective framework for risk management, governance, and internal control. In particular "green" substantial assurance was awarded against audit work completed in the key areas of financial control, regional organised crime collaboration and staff culture and wellbeing. However the work of internal audit has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

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

- To improve the arrangements, systems and process for business continuity and disaster recovery including a review of key systems;
- To make further improvements to data quality, using the good control framework provided by data analytics tools.

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

Risk assessment

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

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

The most significant risks for the PCC concern delivering the police and crime plan with stretched resources; challenges with collaboration and managing financial pressures from flat funding but rising costs and rising demands.

5 Conclusion

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

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



Sue Mountstevens
Police & Crime Commissioner
23 July 2018



J Smith
Chief Executive to PCC
23 July 2018



Mark Simmonds BSc (Hons), ACA
Chief Finance Officer to PCC
23 July 2018

Police & Crime Commissioner for Avon & Somerset

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

Gross Expenditure £'000	Gross Income £'000	2016/2017 £'000	Comprehensive Income and Expenditure Statement - Group	Gross Expenditure £'000	Gross Income £'000	2017/2018 £'000
			Expenditure			
344,353	-41,650	302,703	Police Services - OCC	371,931	-38,862	333,069
1,270	0	1,270	OPCC	1,333	-54	1,279
4,370	-2,885	1,485	Commissioning costs	4,092	-2,637	1,455
349,993	-44,535	305,458	Net cost of police services	377,356	-41,553	335,803
		-151	Gain(-)/loss on disposal of non-current assets			-1,817
		-151	Other operating expenditure			-1,817
		6,232	External interest payable			6,232
		-401	Interest and investment income			-356
		110,292	Net interest on pensions			100,517
		116,123	Financial and investment income and expenditure			106,392
		-105,022	Police - revenue grant			-103,555
		-56,491	Ex-DCLG formula funding			-55,699
		-1,939	Capital grant and contributions			-1,962
		-3,331	Council tax freeze grant			-3,331
		-11,378	Local council tax support grant			-11,378
50,340	-50,340	0	Police pension top-up grant (note 14)	53,009	-53,009	0
		-97,362	Council tax - local authorities (note 10)			-101,029
		-275,523	Taxation and non-specific grant income			-276,954
		145,907	Surplus(-)/deficit on provision of services			163,424
		655,951	Re-measurement of pension assets and liabilities (note 13)			-588,242
		-52,217	Return on pensions assets (note 13)			-6,573
		-5,097	Gain on revaluation			-39,780
		598,637	Other comprehensive income and expenditure			-634,595
		744,544	Total comprehensive income and expenditure			-471,171

Police & Crime Commissioner for Avon & Somerset

PCC Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

PCC Expenditure £'000	PCC Income £'000	PCC Total £'000	Comprehensive Income and Expenditure Statement - PCC	PCC Expenditure £'000	PCC Income £'000	PCC Total £'000
			Expenditure			
1,270	0	1,270	OPCC	1,333	-54	1,279
4,370	-2,885	1,485	Commissioning costs	4,092	-2,637	1,455
5,640	-2,885	2,755	Net cost of police services before funding	5,425	-2,691	2,734
344,353	-41,650	302,703	Intragroup adjustment	371,931	-38,862	333,069
349,993	-44,535	305,458	Net cost of police services	377,356	-41,553	335,803
		-151	Gain(-)/loss on disposal of non-current assets			-1,817
		-151	Other operating expenditure			-1,817
		6,232	External interest payable			6,232
		-401	Interest and investment income			-356
			Net interest on pensions			
110,292		110,292	Intragroup adjustment (pension interest cost)	100,517		100,517
		116,123	Financial and investment income and expenditure			106,392
		-105,022	Police - revenue grant			-103,555
		-56,491	Ex-DCLG formula funding			-55,699
		-1,939	Capital grant and contributions			-1,962
		-3,331	Council tax freeze grant			-3,331
		-11,378	Local council tax support grant			-11,378
		-50,340	Police pension top-up grant (note 14)			-53,009
			Intragroup adjustment			
50,340		50,340	(Police pension top-up grant)	53,009		53,009
		-97,362	Council tax - local authorities (note 10)			-101,029
			Intragroup adjustment (Re-measurement of pension assets and liabilities)			
603,734		603,734		-594,815		-594,815
		328,211	Taxation and non-specific grant income			-871,769
		749,641	Surplus(-)/deficit on provision of services			-431,391
		-5,097	Gain on revaluation			-39,780
		-5,097	Other comprehensive income and expenditure			-39,780
		744,544	Total comprehensive income and expenditure			-471,171

Police & Crime Commissioner for Avon & Somerset

Group Movement in Reserves Statement 2016/2017 and 2017/2018

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

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

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

Police & Crime Commissioner for Avon & Somerset

PCC Movement in Reserves Statement 2016/2017 and 2017/2018

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

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

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

Police & Crime Commissioner for Avon & Somerset

Group Balance Sheet as at 31 March 2018

Note that the intragroup liability has been removed on consolidation at the group level. These financial statements replace the unaudited financial statements certified by the chief financial officer on 30 May 2018.

OCC £'000	PCC £'000	Group 2017 £'000	Balance Sheet	OCC £'000	PCC £'000	Group 2018 £'000	Notes
			Property, plant and equipment				16
0	163,891	163,891	Land and buildings	0	201,874	201,874	
0	21,227	21,227	Vehicles, plant and equipment	0	22,480	22,480	
0	4,323	4,323	Assets under construction	0	1,898	1,898	
0	1,132	1,132	Intangible fixed assets	0	2,564	2,564	
			Long term assets				
0	46	46	Loans to officers	0	31	31	
0	696	696	Prepayments	0	405	405	
0	1	1	Shares in Southwest One Ltd	0	0	0	
0	3,000	3,000	Long term investments	0	0	0	
3,760,091	0	0	Long term liability - Intragroup adj	3,314,931	0	0	
310,013	0	310,013	Police staff pension assets	332,243	0	332,243	15
4,070,104	194,316	504,329	Total non-current assets	3,647,174	229,252	561,495	
0	591	591	Inventories (stock)	0	529	529	
0	16,000	16,000	Short term investments	0	12,000	12,000	
6,437	30,563	37,000	Debtors and payments in advance	6,834	32,204	39,038	18
0	17,212	17,212	Cash and cash equivalents	0	21,215	21,215	19
0	5,413	5,413	Assets held for sale	0	2,064	2,064	
10,808	6,437	0	Intragroup debtor	14,459	6,834	0	
17,245	76,216	76,216	Total current assets	21,293	74,846	74,846	
0	-170	-170	Bank overdraft	0	-116	-116	
0	-3,709	-3,709	Short term borrowings	0	-1,176	-1,176	20
-7,997	-19,038	-27,035	Creditors and receipts in advance	-9,347	-20,747	-30,094	21
-6,437	-10,808	0	Intragroup creditor	-6,834	-14,459	0	
-2,811	-99	-2,910	Short term provisions	-5,112	-62	-5,174	22
0	-1,485	-1,485	Short term PFI Lease liability	0	-1,430	-1,430	17
-17,245	-35,309	-35,309	Total current liabilities	-21,293	-37,990	-37,990	
0	-37,307	-37,307	Long term borrowing	0	-38,630	-38,630	20
0	-7,883	-7,883	Provisions	0	-11,747	-11,747	22
0	-489	-489	Capital grants receipts in advance	0	-326	-326	
0	-57,930	-57,930	PFI liability	0	-56,499	-56,499	17
0	-3,760,091	0	Pension liability - intragroup adj	0	-3,314,931	0	
-4,070,104	0	-4,070,104	Pension liability	-3,647,174	0	-3,647,174	
-4,070,104	-3,863,700	-4,173,713	Total long term liabilities	-3,647,174	-3,422,133	-3,754,376	
0	-3,628,477	-3,628,477	Net assets	0	-3,156,025	-3,156,025	
0	44,272	44,272	Total usable reserves	0	35,980	35,980	7
0	-3,672,749	-3,672,749	Total unusable reserves	0	-3,192,005	-3,192,005	7
0	-3,628,477	-3,628,477	Total reserves	0	-3,156,025	-3,156,025	



Mark Simmonds BSc (Hons), ACA
Chief Finance Officer to PCC
23 July 2018

Police & Crime Commissioner for Avon & Somerset

Group Cash Flow Statement

OCC	PCC	Group	Cash Flow Statement	OCC	PCC	Group
£'000	£'000	2016/2017 £'000		£'000	£'000	2017/2018 £'000
-603,734	749,641	145,907	Net surplus(-)/deficit on the provision of services	594,815	-431,391	163,424
0	-14,466	-14,466	Depreciation and impairment of property, plant and equipment	0	-18,679	-18,679
0	-54	-54	Amortisation of intangible assets	0	-400	-400
2,204	308	2,512	Increase(-)/decrease in provision charged back to service	-2,301	-3,712	-6,013
603,734	-738,738	-135,004	Charges for retirement benefits in accordance with IAS 19	-594,815	445,160	-149,655
0	-1,073	-1,073	Carrying amounts of non-current assets sold	0	-4,255	-4,255
0	-9,325	-9,325	Other	0	-7,907	-7,907
-592	5,859	5,267	Increase/decrease(-) in long and short term debtors	3,651	-1,723	1,928
-1,612	2,501	889	Increase(-)/decrease in long and short term creditors	-1,350	-1,391	-2,741
0	82	82	Increase/decrease(-) in stock/WIP	0	-62	-62
603,734	-754,906	-151,172	Adjust net surplus or deficit on the provision of services for non-cash movements	-594,815	407,031	-187,784
0	1,234	1,234	Proceeds from the sale of property, plant and equipment	0	6,680	6,680
0	1,939	1,939	Capital grants credited to the surplus or deficit on the provision of service	0	1,962	1,962
0	3,173	3,173	Adjust net surplus or deficit on the provision of services that are investing or financing activities	0	8,642	8,642
0	-2,092	-2,092	Net cash flows from operating activities	0	-15,718	-15,718
0	15,899	15,899	Purchase of property, plant and equipment	0	18,702	18,702
0	-903	-903	Capital receipts	0	-6,680	-6,680
0	-1,939	-1,939	Capital grant/contribution income due for the year	0	-1,962	-1,962
0	-5,750	-5,750	Purchase of short & long term investments	0	-7,000	-7,000
0	-403	-403	Interest received	0	-329	-329
0	6,904	6,904	Net cash flow from investing activities	0	2,731	2,731
0	1,222	1,222	Bank overdraft	0	54	54
0	-5,000	-5,000	Loans taken out	0	0	0
0	992	992	Repayment of long term loans	0	1,210	1,210
0	1,329	1,329	Repayment of PFI liability	0	1,486	1,486
0	6,056	6,056	Interest paid	0	6,234	6,234
0	4,599	4,599	Net cash flow from financing activities	0	8,984	8,984
0	9,411	9,411	Net increase(-)/decrease in cash and cash equivalents	0	-4,003	-4,003
0	-26,623	-26,623	Cash and cash equivalents at the beginning of the reporting period	0	-17,212	-17,212
0	-17,212	-17,212	Cash and cash equivalents at the end of the reporting period	0	-21,215	-21,215

Police & Crime Commissioner for Avon & Somerset

Notes to the Financial Statements

1 Statement of Accounting Policies

1.1 General Principles

The general principles adopted in compiling these accounts are in accordance with the recommendations of CIPFA. They accord with CIPFA's Code of Practice on Local Authority Accounting 2017/2018, and the Accounts and Audit Regulations 2015 and are based on the following standards:

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

1.2 Accruals of Income and Expenditure

Activity is accounted for and recorded on an accruals basis. This means that income is recorded in the accounts when it becomes due, rather than when it is received, and the outstanding amounts are included as debtors. Expenditure is included in the accounts when the goods or services are received or supplied, and any outstanding amounts are included as creditors. The PCC Group established a de minimis level of £5,000 for accruals in both 2017/2018 and 2016/2017.

1.3 Council Tax

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

1.4 Government Grants

1.4.1 Revenue Grant

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

1.4.2 Capital Grant

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

1.4.3 Specific Grants

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

1.5 Interest

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

1.6 VAT

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

1.7 Employee Benefits

1.7.1 Benefits Payable During Employment

The full cost of employees (including salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits) is charged to the accounting period in which the employees worked. An accrual is made for the cost of any leave earned by employees but not taken before the year end which employees can carry forward into the next financial year. This accrual is charged to the provision of services within the comprehensive income and expenditure statement in the year that the benefit has arisen and is shown as a liability on the balance sheet.

1.7.2 Termination Benefits

Termination benefits arise as a result of a decision to terminate the employment of police staff before the normal retirement date. These benefits are charged on an accruals basis to the comprehensive income and expenditure statement.

1.7.3 Pension Benefits

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

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

Police staff including PCSOs are part of the Local Government Pension Scheme. Both the PCC and the staff in the scheme pay into the pension fund at agreed rates. When an individual retires, the fund pays all the usual benefits.

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

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

1.7.4 Re-Measurement of Pension Assets and Liabilities

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

1.8 Property, Plant and Equipment

Expenditure on capital assets is recognised in the accounts when the work is carried out or when the asset has been delivered. The latest valuation was undertaken on 31 March 2018 by our internal Chartered Valuation Surveyor.

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

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

All material differences in the value are accounted through the revaluation reserve and the comprehensive income and expenditure statement when there is a revaluation loss above the amount held within the revaluation reserve. If the value of an asset has increased and previous revaluation losses charged have been charged to the comprehensive income and expenditure statement, this is reversed to the amount of the previous losses then charged to the revaluation reserve. The next planned full valuation is going to be undertaken 31 March 2020.

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

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

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

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

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

1.9 Depreciation

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

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

1.10 Impairments

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

1.11 Private Finance Initiatives (PFI)

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

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

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

1.12 Cash and Cash Equivalents

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

1.13 Short and Long Term Investments

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

1.14 Fair Value

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

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

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

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

1.15 Financial Instruments

1.15.1 Financial Liabilities

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

1.15.2 Financial Loans and Receivables

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

1.16 Provisions

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

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

1.17 Contingent Liabilities

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

1.18 Reserves

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

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

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

The unusable reserves include:

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

1.19 Post Balance Sheet Events

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

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

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

2 Critical Judgements in Applying Accounting Policies

The PCC's accounts have been prepared on a going concern basis.

Following the Police Reform and Social Responsibility Act 2011, two new corporate entities were created being the PCC and OCC. All payments for the PCC Group are made by the PCC and no cash movements are made between the PCC and OCC. The PCC has the responsibility for managing the financial relationships with third parties and has legal responsibility discharging the contractual terms and conditions of suppliers. The PCC holds all the assets, liabilities and reserves, with the exception of the IAS 19 pension liabilities, the accumulated short term absences creditor accrual and other employee related accruals and provisions, as the OCC employs officers and staff. These are offset by an intragroup adjustment. These are matched on the balance sheet of the OCC by an intragroup adjustment with the PCC.

3 Accounting Standards Issued But Not Adopted

The following accounting standards have been amended and not adopted until 2018/2019 and are unlikely to have a material impact on the financial statements.

- IFRS 9 Financial Instruments: There are changes to the reclassification of financial assets, which includes the recognition and measurement and the disclosure requirements.
- IFRS 15 revenue from contracts with customers: The revenue from contracts is recognised when the goods and services are transferred to the service recipient. This may lead to increased disclosures within the accounts.
- Amendment to IAS 12 Income taxes: Recognition of deferred tax asset for unrealised losses.

4 Assumptions Made About the Future and the Sources of Estimations

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

4.1 Pension Liability - OCC

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

Further information is included within notes 13 to 15 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	2,989,012	3,054,892	3,123,031
Projected service cost	62,472	64,438	66,474
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	3,064,987	3,054,892	3,045,386
Projected service cost	64,640	64,438	64,241
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	3,113,071	3,054,892	2,998,264
Projected service cost	66,276	64,438	62,661
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	3,174,131	3,054,892	2,940,267
Projected service cost	66,493	64,438	62,446

Police Staff Sensitivity Analysis	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	578,373	592,282	606,539
Projected service cost	25,616	26,351	27,108
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	593,559	592,282	591,012
Projected service cost	26,351	26,351	26,351
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	605,290	592,282	579,589
Projected service cost	27,110	26,351	25,613
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present value of total obligation	613,334	592,282	571,972
Projected service cost	27,191	26,351	25,537

4.2 Short and Long Term Provisions

In determining the provisions set aside at 31 March 2018 to pay for known future costs it has been necessary to estimate and make assumptions about the future. More detail around the sources of these estimations and the underlying assumptions made are included within note 22 Short and Long Term Provisions.

4.3 Valuation of Assets

A valuation was undertaken of the land and buildings as at 31 March 2018 and the value of the properties have been amended to reflect the updated values for the assets. Indices were used as part of the valuation for the construction costs and local market information over the year. Valuation of land and buildings are of a subjective nature and could vary by +/-10%.

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

5 Events After the Balance Sheet Date

The Constabulary ended the Technical Services aspect of its Southwest One arrangement with effect from 1 July 2018. In addition, on 4 April 2018, the Constabulary gave 12 months' notice to the Tri Force Commissioning Board of their decision to withdraw from the Tri Force Specialist Operations Unit collaboration agreements. During this 12 month notice period Avon and Somerset will work with Tri Force partners to vary the Tri Force arrangement by mutual consent as agreed at the Board. These events have no effect on the financial position as at 31 March 2018.

6 Group Expenditure and Funding Analysis

This note shows how the annual expenditure is allocated and the funding available to the PCC in a format which is used for decision making purposes. It is reconciled to the comprehensive income and expenditure statement.

Net expenditure chargeable to general fund £'000	2016/2017		Group Expenditure and Funding Analysis	Net expenditure chargeable to general fund £'000	2017/2018	
	Adjustment between accounting and funding basis £'000	Net expenditure in the comprehensive I & E £'000			Adjustment between accounting and funding basis £'000	Net expenditure in the comprehensive I & E £'000
271,375	31,328	302,703	Police Services - OCC	272,710	60,359	333,069
1,270	0	1,270	OPCC	1,354	-75	1,279
3,430	-1,945	1,485	Commissioning costs	3,488	-2,033	1,455
276,075	29,383	305,458	Net cost of police services	277,552	58,251	335,803
0	-151	-151	Gain(-)/loss on disposal of non-current assets	0	-1,817	-1,817
0	-151	-151	Other operating expenditure	0	-1,817	-1,817
0	6,232	6,232	External interest payable	0	6,232	6,232
0	-401	-401	Interest and investment income	0	-356	-356
0	110,292	110,292	Net interest on pensions	0	100,517	100,517
0	116,123	116,123	Financial and investment income and expenditure	0	106,392	106,392
-105,022	0	-105,022	Police - revenue grant	-103,555	0	-103,555
-56,491	0	-56,491	Ex-DCLG formula funding	-55,699	0	-55,699
0	-1,939	-1,939	Capital grant and contributions	0	-1,962	-1,962
-3,331	0	-3,331	Council tax freeze grant	-3,331	0	-3,331
-11,378	0	-11,378	Local council tax support grant	-11,378	0	-11,378
-97,908	546	-97,362	Council tax - local authorities	-101,638	609	-101,029
-1,945	1,945	0	Commissioning of victim support services grant	-1,951	1,951	0
-276,075	552	-275,523	Taxation and non-specific grant income	-277,552	598	-276,954
-276,075	116,524	-159,551		-277,552	105,173	-172,379
0	145,907	145,907	Surplus(-)/deficit on provision of services	0	163,424	163,424
39,739			Opening balance of general fund	37,123		
-2,616			Transfers from reserves made in year	-1,399		
37,123			Closing balance of general fund	35,724		

Capital Purposes £'000	2016/2017			Group Expenditure and Funding Analysis Adjustment between accounting & funding basis	2017/2018			
	Pension Adjustment £'000	Other Adjustment £'000	Total Adjustment £'000		Capital Purposes £'000	Pension Adjustment £'000	Other Adjustment £'000	Total Adjustment £'000
10,683	24,712	-4,067	31,328	Police Services - OCC	15,859	49,138	-4,638	60,359
0	0	0	0	OPCC	0	0	-75	-75
0	0	-1,945	-1,945	Commissioning costs	0	0	-2,033	-2,033
10,683	24,712	-6,012	29,383	Net cost of police services	15,859	49,138	-6,746	58,251
-151	0	0	-151	Gain(-)/loss on disposal of non-current assets	-1,817	0	0	-1,817
-151	0	0	-151	Other operating expenditure	-1,817	0	0	-1,817
0	0	6,232	6,232	External interest payable	0	0	6,232	6,232
0	0	-401	-401	Interest and investment income	0	0	-356	-356
0	110,292	0	110,292	Net interest on pensions	0	100,517	0	100,517
0	110,292	5,831	116,123	Financial and investment income and expenditure	0	100,517	5,875	106,392
-1,939	0	0	-1,939	Capital grant and contributions	-1,962	0	0	-1,962
0	0	546	546	Council tax - local authorities	0	0	609	609
0	0	1,945	1,945	Commissioning of victim support services grant	0	0	1,951	1,951
-1,939	0	2,491	552	Taxation and non-specific grant income	-1,962	0	2,560	598
-2,090	110,292	8,322	116,524		-3,779	100,517	8,435	105,173
8,593	135,004	2,310	145,907	Difference between surplus on the general fund and deficit on the provision of services	12,080	149,655	1,689	163,424

7 Notes to the Movement in Reserves Statement

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

Group Movement in Reserves Statement 2016/2017	Revenue General Fund £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Collect Fund Adjustment Account £'000	Revaluation Reserve £'000	Pensions Reserve Account £'000	Short Term Absences Account £'000	Capital Adjustment Account £'000	Total Unusable Reserves £'000
Balance as at 31 March 2016	39,739	11,578	51,317	2,123	23,817	-3,021,353	-6,617	65,222	-2,936,808
Total comprehensive income and expenditure	-145,907	0	-145,907	0	5,097	-603,734	0	0	-598,637
Adjustments between accounting & funding basis under regulations									
Reversal of items included to I&E									
Amortisation of intangible assets	54	0	54	0	0	0	0	-54	-54
Depreciation of non-current assets (note 16)	15,442	0	15,442	0	0	0	0	-15,442	-15,442
Revaluation loss	-976	0	-976	0	0	0	0	976	976
Capital grants and contributions	-1,939	0	-1,939	0	0	0	0	1,939	1,939
Council tax collection fund adjustment	546	0	546	-546	0	0	0	0	-546
Gain(-)/loss on disposal of non-current assets	-151	1,234	1,083	0	-10	0	0	-1,073	-1,083
Holiday pay accrual adjustment	-420	0	-420	0	0	0	420	0	420
Net IAS 19 charge for retirement benefits	177,059	0	177,059	0	0	-177,059	0	0	-177,059
Insert amounts excluded in I&E									
Minimum revenue provision	-3,371	0	-3,371	0	0	0	0	3,371	3,371
Revenue contribution to finance capital	-618	0	-618	0	0	0	0	618	618
IAS 19 employers contributions payable	-42,055	0	-42,055	0	0	42,055	0	0	42,055
Other adjustments include:									
Use of capital receipts reserve to finance capital	0	-5,663	-5,663	0	0	0	0	5,663	5,663
Reserves used to finance capital	-1,007	0	-1,007	0	0	0	0	1,007	1,007
Reversed excluded from I&E (DPR, SW ROCU)	727	0	727	0	0	0	0	831	831
Increase/decrease(-) in 2016/2017	-2,616	-4,429	-7,045	-546	5,087	-738,738	420	-2,164	-735,941
Balance as at 31 March 2017	37,123	7,149	44,272	1,577	28,904	-3,760,091	-6,197	63,058	-3,672,749

Group Movement in Reserves Statement 2017/2018	Revenue General Fund £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Collect Fund Adjustment Account £'000	Revaluation Reserve £'000	Pensions Reserve Account £'000	Short Term Absences Account £'000	Capital Adjustment Account £'000	Total Unusable Reserves £'000
Balance as at 31 March 2017	37,123	7,149	44,272	1,577	28,904	-3,760,091	-6,197	63,058	-3,672,749
Total comprehensive income and expenditure	-163,424	0	-163,424	0	39,780	594,815	0	0	634,595
Adjustments between accounting & funding basis under regulations									
Reversal of items included to I&E									
Amortisation of intangible assets	400	0	400	0	0	0	0	-400	-400
Depreciation of non-current assets (note 16)	16,564	0	16,564	0	0	0	0	-16,564	-16,564
Revaluation loss	2,115	0	2,115	0	0	0	0	-2,115	-2,115
Capital grants and contributions	-1,915	0	-1,915	0	0	0	0	1,915	1,915
Council tax collection fund adjustment	609	0	609	-609	0	0	0	0	-609
Gain(-)/loss on disposal of non-current assets	-1,817	6,680	4,863	0	-608	0	0	-4,255	-4,863
Holiday pay accrual adjustment	559	0	559	0	0	0	-559	0	-559
Net IAS 19 charge for retirement benefits	193,170	0	193,170	0	0	-193,170	0	0	-193,170
Insert amounts excluded in I&E									
Minimum revenue provision	-3,681	0	-3,681	0	0	0	0	3,681	3,681
Revenue contribution to finance capital	-1,356	0	-1,356	0	0	0	0	1,356	1,356
IAS 19 employers contributions payable	-43,515	0	-43,515	0	0	43,515	0	0	43,515
Other adjustments include:									
Use of capital receipts reserve to finance capital	0	-13,573	-13,573	0	0	0	0	13,573	13,573
Reserves used to finance capital	-247	0	-247	0	0	0	0	247	247
Reversed excluded from I&E (DPR, SW ROCU)	1,139	0	1,139	0	0	0	0	142	142
Increase/decrease(-) in 2017/2018	-1,399	-6,893	-8,292	-609	39,172	445,160	-559	-2,420	480,744
Balance as at 31 March 2018	35,724	256	35,980	968	68,076	-3,314,931	-6,756	60,638	-3,192,005

PCC Movement in Reserves Statement 2016/2017	Revenue General Fund £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Collect Fund Adjustment Account £'000	Revaluation Reserve £'000	Pensions Reserve Account £'000	Short Term Absences Account £'000	Capital Adjustment Account £'000	Total Unusable Reserves £'000
Balance as at 31 March 2016	39,739	11,578	51,317	2,123	23,817	-3,021,353	-6,617	65,222	-2,936,808
Total comprehensive income and expenditure	-749,641	0	-749,641	0	5,097	0	0	0	5,097
Adjustments between accounting & funding basis under regulations									
Reversal of items included to I&E									
Amortisation of intangible assets	54	0	54	0	0	0	0	-54	-54
Depreciation of non-current assets (note 16)	15,442	0	15,442	0	0	0	0	-15,442	-15,442
Revaluation loss	-976	0	-976	0	0	0	0	976	976
Capital grants and contributions	-1,939	0	-1,939	0	0	0	0	1,939	1,939
Council tax collection fund adjustment	546	0	546	-546	0	0	0	0	-546
Gain(-)/loss on disposal of non-current assets	-151	1,234	1,083	0	-10	0	0	-1,073	-1,083
Holiday pay accrual adjustment	-420	0	-420	0	0	0	420	0	420
Net IAS 19 charge for retirement benefits	177,059	0	177,059	0	0	-177,059	0	0	-177,059
Net IAS 19 charge Inter group adjustment	603,734	0	603,734	0	0	-603,734	0	0	-603,734
Insert amounts excluded in I&E									
Minimum revenue provision	-3,371	0	-3,371	0	0	0	0	3,371	3,371
Revenue contribution to finance capital	-618	0	-618	0	0	0	0	618	618
IAS 19 employers contributions payable	-42,055	0	-42,055	0	0	42,055	0	0	42,055
Other adjustments include:									
Use of capital receipts reserve to finance capital	0	-5,663	-5,663	0	0	0	0	5,663	5,663
Reserves used to finance capital	-1,007	0	-1,007	0	0	0	0	1,007	1,007
Reversed excluded from I&E (DPR, SW ROCU)	727	0	727	0	0	0	0	831	831
Increase/decrease(-) in 2016/2017	-2,616	-4,429	-7,045	-546	5,087	-738,738	420	-2,164	-735,941
Balance as at 31 March 2017	37,123	7,149	44,272	1,577	28,904	-3,760,091	-6,197	63,058	-3,672,749

PCC Movement in Reserves Statement 2017/2018	Revenue General Fund £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Collect Fund Adjustment Account £'000	Revaluation Reserve £'000	Pensions Reserve Account £'000	Short Term Absences Account £'000	Capital Adjustment Account £'000	Total Unusable Reserves £'000
Balance as at 31 March 2017	37,123	7,149	44,272	1,577	28,904	-3,760,091	-6,197	63,058	-3,672,749
Total comprehensive income and expenditure	431,391	0	431,391	0	39,780	0	0	0	39,780
Adjustments between accounting & funding basis under regulations									
Reversal of items included to I&E									
Amortisation of intangible assets	400	0	400	0	0	0	0	-400	-400
Depreciation of non-current assets (note 16)	16,564	0	16,564	0	0	0	0	-16,564	-16,564
Revaluation loss	2,115	0	2,115	0	0	0	0	-2,115	-2,115
Capital grants and contributions	-1,915	0	-1,915	0	0	0	0	1,915	1,915
Council tax collection fund adjustment	609	0	609	-609	0	0	0	0	-609
Gain(-)/loss on disposal of non-current assets	-1,817	6,680	4,863	0	-608	0	0	-4,255	-4,863
Holiday pay accrual adjustment	559	0	559	0	0	0	-559	0	-559
Net IAS 19 charge for retirement benefits	193,170	0	193,170	0	0	-193,170	0	0	-193,170
Net IAS 19 charge Inter group adjustment	-594,815	0	-594,815	0	0	594,815	0	0	594,815
Insert amounts excluded in I&E									
Minimum revenue provision	-3,681	0	-3,681	0	0	0	0	3,681	3,681
Revenue contribution to finance capital	-1,356	0	-1,356	0	0	0	0	1,356	1,356
IAS 19 employers contributions payable	-43,515	0	-43,515	0	0	43,515	0	0	43,515
Other adjustments include:									
Use of capital receipts reserve to finance capital	0	-13,573	-13,573	0	0	0	0	13,573	13,573
Reserves used to finance capital	-247	0	-247	0	0	0	0	247	247
Reversed excluded from I&E (DPR, SW ROCU)	1,139	0	1,139	0	0	0	0	142	142
Increase/decrease(-) in 2017/2018	-1,399	-6,893	-8,292	-609	39,172	445,160	-559	-2,420	480,744
Balance as at 31 March 2018	35,724	256	35,980	968	68,076	-3,314,931	-6,756	60,638	-3,192,005

8 Income and Expenditure analysed by nature

2016/2017			Income and Expenditure analysed by nature	2017/2018		
OCC £'000	PCC £'000	Group £'000		OCC £'000	PCC £'000	Group £'000
217,688	971	218,659	Employee costs	223,645	1,005	224,650
11,608	1	11,609	Premises costs	11,664	5	11,669
5,037	17	5,054	Transport costs	4,803	12	4,815
24,689	170	24,859	Supplies & services	26,054	185	26,239
27,644	135	27,779	Partnership costs	20,533	126	20,659
18,454	-24	18,430	Misc, central, & grants	16,456	0	16,456
0	4,370	4,370	Commissioning	0	4,092	4,092
14,521	0	14,521	Depreciation, amortisation, & impairment	19,079	0	19,079
24,712	0	24,712	Employee benefit expenses	49,697	0	49,697
110,292	0	110,292	Net interest on pensions	100,517	0	100,517
50,340	0	50,340	Police pension top up grant	53,009	0	53,009
0	6,232	6,232	Interest payments	0	6,232	6,232
0	-151	-151	Gain/loss on disposal of fixed assets	0	-1,817	-1,817
-1,058,379	1,058,379	0	Intragroup adjustment	122,367	-122,367	0
-553,394	1,070,100	516,706	Total expenditure	647,824	-112,527	535,297
-15,687	-140	-15,827	Sales, rent, fees, & charges	-15,623	-405	-16,028
-7,932	0	-7,932	Southwest One recharges	-3,931	0	-3,931
-1,586	0	-1,586	Seconded officers	-1,843	0	-1,843
0	-1,945	-1,945	Commissioning of victim support services	0	-1,951	-1,951
0	-610	-610	Child sexual exploitation grant	0	0	0
0	-190	-190	Criminal justice transformation grant	0	0	0
-8,391	0	-8,391	Counter terrorism policing grant	-9,709	0	-9,709
-8,054	0	-8,054	Other specific grants	-7,756	-336	-8,092
0	-401	-401	Interest and investment income	0	-356	-356
0	-105,022	-105,022	Police - revenue grant	0	-103,555	-103,555
0	-56,491	-56,491	Ex-DCLG formula funding	0	-55,699	-55,699
0	-1,939	-1,939	Capital grant and contributions	0	-1,962	-1,962
0	-3,331	-3,331	Council tax freeze grant	0	-3,331	-3,331
0	-11,378	-11,378	Local council tax support grant	0	-11,378	-11,378
0	-97,362	-97,362	Income from council tax	0	-101,029	-101,029
0	-50,340	-50,340	Police pension top up grant	0	-53,009	-53,009
-8,690	8,690	0	Intragroup adjustment	-14,147	14,147	0
-50,340	-320,459	-370,799	Total income	-53,009	-318,864	-371,873
-603,734	749,641	145,907	Surplus/deficit on provision of services	594,815	-431,391	163,424

9 Paying Staff

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

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

Disclosure of Remuneration for Senior Employees 2016/2017

Post Holder Information (post title)	Note	Salary (including fees & allowances)	Expense Allowances	Benefits in Kind	Total Remuneration Excluding Pension Contributions 2016/2017	Pension Contributions	Total Remuneration Including Pension Contributions 2016/2017
		£	£	£	£	£	£
PCC Employees							
Chief Finance Officer to the PCC	1	72,912	0	0	72,912	8,020	80,932
Chief Executive to the PCC		101,778	0	0	101,778	11,196	112,974
OCC Employees							
Director of Resources and Chief Finance Officer to the OCC		130,018	2,760	6,123	138,901	14,302	153,203
Deputy Chief Constable		130,980	0	6,974	137,954	27,967	165,921
ACC - Local Policing		102,853	0	2,776	105,629	24,890	130,519
ACC - Protection and Investigation		112,959	0	5,375	118,334	26,231	144,565
Force Medical Officer		139,082	0	0	139,082	15,161	154,243
C SUPT Strategic Command Course	2	95,512	0	1,064	96,576	20,428	117,004
C SUPT - Prevention, Protection and Prosecution	3	98,106	0	1,250	99,356	17,763	117,119
		984,200	2,760	23,562	1,010,522	165,958	1,176,480

Note 1: The Chief Finance Officer to the PCC works 29.6 hours per week. The full time equivalent salary is £91,140.

Note 2: The Chief Superintendent's temporary promotion to Assistant Chief Constable ended on 27/11/2016. The annualised salary was £97,437.

Note 3: The Chief Superintendent's temporary promotion to Assistant Chief Constable ended on 03/10/2016. The annualised salary was £106,785.

Disclosure of Remuneration for Senior Employees 2017/2018

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

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

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

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

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

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

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

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

OCC Number	PCC Number	Total 2016/2017 Number	Pay Range	OCC Number	PCC Number	Total 2017/2018 Number
179	0	179	£50,000 - £54,999	134	0	134
82	0	82	£55,000 - £59,999	110	0	110
17	0	17	£60,000 - £64,999	24	0	24
7	0	7	£65,000 - £69,999	7	0	7
14	1	15	£70,000 - £74,999	8	0	8
9	0	9	£75,000 - £79,999	12	1	13
4	0	4	£80,000 - £84,999	4	0	4
4	1	5	£85,000 - £89,999	4	1	5
0	0	0	£90,000 - £94,999	1	0	1
2	0	2	£95,000 - £99,999	0	0	0
0	1	1	£100,000 - £104,999	1	1	2
1	0	1	£105,000 - £109,999	0	0	0
0	0	0	£110,000 - £114,999	0	0	0
1	0	1	£115,000 - £119,999	1	0	1
0	0	0	£120,000 - £124,999	0	0	0
0	0	0	£125,000 - £129,999	1	0	1
0	0	0	£130,000 - £134,999	1	0	1
3	0	3	£135,000 - £139,999	0	0	0
0	0	0	£140,000 - £144,999	1	0	1
0	0	0	£145,000 - £149,999	0	0	0
0	0	0	£150,000 - £154,999	0	0	0
1	0	1	£155,000 - £159,999	0	0	0
0	0	0	£160,000 - £164,999	1	0	1
324	3	327		310	3	313

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

10 Council Tax

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

2016/2017 £'000	Council Tax	2017/2018 £'000
7,064	Mendip District Council	7,324
7,106	Sedgemoor District Council	7,367
7,147	Taunton Deane Borough Council	7,584
2,464	West Somerset District Council	2,560
10,440	South Somerset District Council	10,805
11,286	Bath and North East Somerset Council	11,619
21,952	Bristol City Council	22,834
16,295	South Gloucestershire Council	16,851
13,608	North Somerset Council	14,085
97,362		101,029

11 Transactions With Related Organisations and People

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

11.1 Key Management Personnel and Members of the Joint Audit Committee

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

Jude Ferguson is chair of the Joint Audit Committee and is also Chair of Weston College Corporation. During 2017/2018 we have made £5,265 payments to Weston College to procure training (no payments were made in 2016/2017).

No other transactions were disclosed.

11.2 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 2017/2018 supplies and services were provided by Southwest One to the value of £13,328,223 (£20,708,555 in 2016/2017). The payments to Southwest One cover both staffing costs and the provision of other services for Technology Services, Human Resources, Finance and Administration (staffing costs provided until the end of June 2017 for HR, Finance and Administration).

Amounts of £4,039,784 (£8,267,635 in 2016/2017) were received for staff seconded to Southwest One and non-pay adjustments. At 31 March 2018 the PCC had creditor balances of £10 with Southwest One (£5,137 at 31 March 2017). In addition at 31 March 2018 the PCC had debtor balances of £93,040 with Southwest One (£77 at 31 March 2017).

The PCC also have a relationship with the Police Community Trust and the Avon and Somerset Force Club. Payments were made to the Police Community Trust of £163,589 in 2017/2018 (£100,000 in 2016/2017). Payments were also made to the Avon and Somerset Force Club in 2017/2018 of £45,254 (£43,020 in 2016/2017) and £8,209 was invoiced but yet to be received (£5,295 in 2016/2017).

12 Joint Arrangements

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

Joint arrangements are classified as either joint operations or joint ventures. Joint operations are where the parties have the rights to the assets and obligations for the liabilities relating to the arrangement. Joint ventures are where the parties have rights to the net assets of the arrangement, and typically are structured through a separate legal entity. The PCC does not participate in any joint ventures.

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

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

2016/2017 Expenditure £'000	Joint Operations	2017/2018 Expenditure £'000
2,254	South West Regional Organised Crime Unit	2,452
1,013	Firearms Training	1,017
0	Counter Terrorism Specialist Firearms Officers	501
4,630	Major Crime Investigation (Brunel)	4,696
11,773	Specialist Operations (Tri Force)	11,184
80	Tri Force ACC	65
6,687	South West Forensic Services	6,406
1,025	South West Region - Special Branch	1,039
48	Regional ACC	54
279	Other Regional Programmes	345
27,789	Total	27,759

12.1 South West Regional Organised Crime Unit (SW ROCU)

SW ROCU, formerly known as 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 £7,560,722 in 2017/2018 (£6,655,368 in 2016/2017).

12.2 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 £2,431,030 in 2017/2018 (£2,422,443 in 2016/2017).

12.3 Counter Terrorism Specialist Firearms Officers (CTSFO)

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

12.4 Major Crime Investigation (Brunel)

This is a collaboration between Avon and Somerset (64%), Gloucestershire (17%) and Wiltshire (19%) for the purposes of providing regional oversight and scrutiny of major incidents. The total cost of the service was £7,336,889 in 2017/2018 (£7,233,820 in 2016/2017).

12.5 Specialist Operations (Tri Force)

Tri Force is a collaboration between Avon and Somerset (53.6%), Gloucestershire (23.2%) and Wiltshire (23.2%) to deliver armed, roads and dogs policing. The total cost of the operation was £20,849,580 in 2017/2018 (£21,949,000 in 2016/2017).

12.6 Tri Force ACC

This post was put in place from June 2016 to oversee the Tri Force collaborations for MCIT, Specialist Operations, Black Rock, and the emerging CTFSO hub. The costs are shared between Avon and Somerset (59%), Gloucestershire (19.7%) and Wiltshire (21.3%). The total cost for the ACC was £110,483 in 2017/2018 (£136,219 in 2016/2017).

12.7 South West Forensic Services

South West Forensic Services is a collaboration between Avon and Somerset (36.6%), Devon and Cornwall (30.5%), Dorset (18.7%) and Wiltshire (14.2%) to provide forensic services. The total cost of the operation was £17,845,600 in 2017/2018 (£18,412,600 in 2016/2017).

12.8 South West Region – Special Branch

This is a collaboration between Avon and Somerset (28.4%), Devon and Cornwall (28.9%), Dorset (23.9%) and Wiltshire (18.8%) to provide Special Branch policing across the South West Region. The total cost of the operation was £3,658,149 in 2017/2018 (£3,608,454 in 2016/2017).

12.9 Regional ACC

This post was put in place from May 2016 to oversee the regional collaborations for Forensics, Special Branch, Zephyr, and CTIU. The costs are shared between Avon and Somerset (32.4%), Gloucestershire (10.8%), Devon and Cornwall (33.3%), Dorset (11.8%) and Wiltshire (11.7%). The total cost for the ACC was £166,251 in 2017/2018 (£147,793 in 2016/2017).

12.10 Other Regional Programmes

These are collaborations between Avon and Somerset, Gloucestershire, Devon and Cornwall, Dorset, and Wiltshire covering activities such as Major Crime, Regional Communications, and Serious and Organised Crime. The percentage split varies between projects. The total cost of all programmes was £1,014,781 in 2017/2018 (£795,925 in 2016/2017).

13 Pensions Costs and Liabilities - OCC

The full costs of retirement benefits earned by employees during the year are recognised through the comprehensive income and expenditure statement net cost of police services as they are accrued. These costs are then reversed through the movement in reserves statement so that there is no impact on the general fund. It should be noted that the charge against council tax for pension benefits is based upon the cash value of employer's contributions.

	Police Staff		Police Officers	
	2016/2017 £'000	2017/2018 £'000	2016/2017 £'000	2017/2018 £'000
Comprehensive income and expenditure statement				
Cost of services:				
Current service cost	17,243	28,191	49,323	63,687
Administration expenses	201	176	0	0
Past service cost including curtailments	0	599	0	0
Financing and investment income and expenditure:				
Net interest cost	6,559	7,534	103,733	92,983
Total post employment benefits charged to the comprehensive income and expenditure statement	24,003	36,500	153,056	156,670
Other post employment benefits charged to the comprehensive income and expenditure statement				
Return on plan assets	52,217	6,573	0	0
Changes in demographic assumptions	2,785	0	134,911	-103,087
Changes in financial assumptions	-139,320	32,319	-703,927	252,955
Experience gain/loss(-) on defined benefit obligations	2,848	0	0	353,905
Other actuarial gain/loss(-)	-2,290	0	49,042	52,150
Total other comprehensive income	-83,760	38,892	-519,974	555,923
Movement in reserves statement				
Reversal of net charges made for retirement benefits in accordance with the code	-24,003	-36,500	-153,056	-156,670
Actual amount charged against the general fund balance for pensions in the year				
Employer's contribution to scheme	10,590	12,418	24,653	24,205
Retirement benefits payable to pensioners	118	115	6,694	6,777

2017 £'000	IAS 19 Pension Liabilities	2018 £'000
-3,485,127	Police officers	-3,054,892
-274,964	Police staff	-260,039
-3,760,091		-3,314,931

14 Pensions for Police Officers - OCC

Employee contributions levels are based on percentages of pensionable pay set nationally by the Home Office. From 1 April 2014 employee contributions increased and officers will pay contributions ranging from 11.0% to 15.1% depending on their pay scale and the scheme they are in. Employer contributions to the Police Officer Pension Scheme are projected at £23,582,000 in financial year 2018/2019.

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

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

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

2016/2017 £'000	Cost of Injury and Ill-Health Benefits - Police Officers	2017/2018 £'000
7,643	Payments to pensioners	7,546

2016/2017 £'000	Pensions Account	2017/2018 £'000
88,646	Benefits paid to officers	90,309
-38,306	Less contributions received from officers	-37,300
50,340	Balance met from PCC Group	53,009

A full valuation of the pension scheme liabilities was undertaken as at 31 March 2017. This work was carried out by independent actuaries who have taken account of the requirements of IAS 19 to assess the liabilities of the fund. Liabilities have been calculated by reference to police officers who are members of the fund as well as those who are already receiving pensions. The estimate of the duration of the scheme's liabilities is 20 years. Using the assumptions detailed in the tables below an estimate of the costs and liabilities associated with police officers pensions has been made.

Life Expectancy from Age 65 Years		
Current pensioners		
	Males	21.9
	Females	24.2
Retiring in 20 years		
	Males	23.7
	Females	26.1

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

2016/2017 %		2017/2018 %
2.7	Discount rate	2.6
4.5	Rate of increase in salaries	3.8
2.7	Rate of increase in pensions in payment	2.3
3.6	Retail price index	3.3
2.7	CPI increases	2.3

The movement in the present value of scheme liabilities for the year to 31 March 2018 is as follows:

2016/2017 £'000	Present Value of Police Pension Scheme Liabilities	2017/2018 £'000
-2,843,444	Present value of schemes liability as at 1 April	-3,485,127
	Movements in the year	
-49,323	Current service cost	-63,687
93,747	Estimated benefits paid (net of transfers in)	96,104
-13,358	Contributions by scheme participants	-12,972
-103,733	Interest costs	-92,983
-703,927	Change in financial assumptions	252,955
134,911	Change in demographic assumptions	-103,087
0	Experience gain/loss on defined benefit obligations	353,905
-3,485,127	Present value of schemes liability as at 31 March	-3,054,892

The movement in the fair value of scheme assets for the year to 31 March 2018 is as follows:

2016/2017 £'000	Fair Value of Police Pensions Scheme Assets	2017/2018 £'000
0	Present value of schemes assets as at 1 April	0
	Movements in the year	
49,042	Change in financial assumptions	52,150
31,347	Contributions by employer	30,982
13,358	Contributions by scheme participants	12,972
-93,747	Estimated benefits paid (net of transfers in)	-96,104
0	Present value of schemes assets as at 31 March	0

15 Pensions for Police Staff - OCC

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

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

2016/2017		Pension Costs - Police Staff	2017/2018	
Payments £'000	Percentage of Employees' Contributions		Payments £'000	Percentage of Employees' Contributions
10,212	88-200	PCC's contribution	12,147	88-200

During 2017/2018 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 £12,278,000 in financial year 2018/2019.

To contribute towards this liability the PCC has agreed to pay 13.2% of the employee salary to pay for new service of the current active members and an annual fixed sum to pay for the deficit recovery. The fixed sum paid in 2017/2018 was £2,807,994; the amount due in 2018/2019 is £2,875,000.

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 13.

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

Life Expectancy from Age 65 Years		
Current pensioners	Males	24.0
	Females	25.2
Retiring in 20 years	Males	26.2
	Females	27.5

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

2016/2017 %		2017/2018 %
2.8	Discount rate	2.6
4.2	Rate of increase in salaries	3.8
2.7	Rate of increase in pensions in payment	2.3
3.6	Retail price index	3.3
2.7	Consumer price index	2.3

The return on the pension fund assets on a bid value basis for the year to 31 March 2018 is estimated to be 5%. The estimated value of the PCC's share of the fund's assets is £332,243,000 on a bid value basis (2016/2017 £310,013,000). The assets are made up of the following:

2017 £'000	%	Assets	2018 £'000	%
		Equities		
76,878	24.8	UK - Quoted	75,737	22.8
115,316	37.2	Overseas - Quoted	126,893	38.2
1,550	0.5	UK - Unquoted	1,661	0.5
22,009	7.1	Overseas - Unquoted	26,906	8.1
5,270	1.7	Private equity	5,979	1.8
221,023	71.3		237,176	71.4
		Gilts - Public Sector		
6,853	2.2	UK fixed interest	6,658	2.0
311	0.1	Overseas fixed interest	0	0.0
11,525	3.7	UK index linked	10,987	3.3
311	0.1	Overseas index linked	333	0.1
19,000	6.1		17,978	5.4
		Other Bonds		
14,271	4.6	UK	14,897	4.5
16,132	5.2	Overseas	16,222	4.9
30,403	9.8		31,119	9.4
27,351	8.8	Property	31,542	9.5
12,236	4.0	Cash (invested internally)	14,428	4.3
310,013	100	Total assets	332,243	100

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

2017 £'000	Police Staff Pensions	2018 £'000
310,013	Share of assets in pension fund	332,243
-582,904	Estimated liabilities in pension fund	-590,310
-2,073	Estimated unfunded liabilities	-1,972
-274,964	Deficiency in fund	-260,039

The movement in the present value of schemes obligations for the year to 31 March 2018 is as follows:

2016/2017 £'000	Present Value of Police Staff Liabilities	2017/2018 £'000
-422,598	Present value of defined obligations as at 1 April	-584,977
	Movements in the year	
-17,243	Current service cost	-28,191
8,932	Estimated benefits paid (net of transfers in)	10,018
-4,525	Contributions by scheme participants	-4,655
-15,974	Interest costs	-16,312
118	Unfunded pension payments	115
-139,320	Change in financial assumptions	32,319
2,785	Change in demographic assumptions	0
2,848	Experience loss(-)/gain on defined benefit obligations	0
0	Past service cost, including curtailments	-599
-584,977	Present value of defined obligations as at 31 March	-592,282

The movement in the fair value of scheme assets for the year to 31 March 2018 is as follows:

2016/2017 £'000	Fair Value of Police Staff Scheme Assets	2017/2018 £'000
244,689	Fair value of scheme assets as at 1 April	310,013
	Movements in the year	
9,415	Interest on assets	8,778
52,217	Return on assets less interest	6,573
-2,290	Other actuarial gain/loss(-)	0
-201	Administration expenses	-176
10,708	Contributions by employer	12,533
4,525	Contributions by scheme participants	4,655
-9,050	Estimated benefits paid (net of transfers in)	-10,133
310,013	Fair value of scheme assets as at 31 March	332,243

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.

16 Property, Plant and Equipment

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

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

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

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

17 Finance Leases – PFI

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

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

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

The following tables show PFI assets and liabilities.

PFI Buildings £'000	2016/2017		PFI Assets	PFI Buildings £'000	2017/2018	
	PFI IT Equipment £'000	Total £'000			PFI IT Equipment £'000	Total £'000
Cost or valuation						
56,040	5,384	61,424	As at 1 April	56,600	5,384	61,984
19	0	19	Additions during year	0	0	0
Revaluation gain/loss (-)						
210	0	210	Recognised in revaluation reserve	24,436	0	24,436
331	0	331	Recognised in surplus & deficit I&E	-1,448	0	-1,448
56,600	5,384	61,984	As at 31 March	79,588	5,384	84,972
Depreciation and impairment						
-11	-1,643	-1,654	As at 1 April	-15	-2,786	-2,801
-1,272	-1,143	-2,415	Depreciation charge	-1,340	-1,143	-2,483
Revaluation gain/loss (-)						
507	0	507	Recognised in revaluation reserve	1,003	0	1,003
760	0	760	Recognised in surplus & deficit I&E	311	0	311
-16	-2,786	-2,802	As at 31 March	-41	-3,929	-3,970
Net book value						
56,584	2,598	59,182	As at 31 March	79,547	1,455	81,002

2016/2017 £'000	PFI Liabilities	2017/2018 £'000
60,744	Finance Liability as at 1 April	59,415
-1,329	Liability Paid in Year	-1,485
59,415	Finance Liability at 31 March	57,930

Payments made in 2017/2018 and the index-linked amounts due for the remainder of the PFI contract after adjustment for the Gloucestershire and Wiltshire share of the specialist training centre are as follows:

PFI Charges	Service Charge £'000	Lifecycle Replacement Costs £'000	Interest Charge £'000	Liability £'000
Rental paid 2017/2018	1,811	93	4,658	1,485
Rentals payable in future years				
Within 1 year	1,876	281	4,561	1,430
Within 2-5 years	7,635	1,702	17,207	6,807
Within 6-10 years	10,648	4,570	18,421	9,880
Within 11-15 years	12,024	6,193	13,954	13,645
Within 16-20 years	13,657	5,908	8,044	20,827
Within 21-25 years	2,912	1,093	685	5,341
Total	48,752	19,747	62,872	57,930

18 Debtors and Payments In Advance

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

OCC £'000	PCC £'000	Total 2017 £'000	Debtors and Payments in Advance	OCC £'000	PCC £'000	Total 2018 £'000
0	19,858	19,858	Central government bodies	0	22,359	22,359
0	6,994	6,994	Other local authorities	0	8,230	8,230
0	54	54	NHS bodies	0	10	10
6,437	3,657	10,094	Other entities and individuals	6,834	1,605	8,439
6,437	30,563	37,000	Balance as at 31 March	6,834	32,204	39,038

19 Cash and Cash Equivalents

2017 £'000	Cash and Cash Equivalents	2018 £'000
153	Cash in hand	153
17,059	Short term deposits	21,062
17,212	Balance as at 31 March	21,215

20 Loans Still to be Repaid

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

2017 £'000	Loans to be Repaid	2018 £'000
3,709	Within one year	1,176
1,176	Between one and two years	3,951
6,291	Between two and five years	5,489
3,940	Between five and 10 years	3,940
25,900	More than 10 years	25,250
41,016		39,806
-3,709	Less: Transferred to short term borrowings (repayable in 2018/2019)	-1,176
37,307		38,630

21 Creditors and Receipts in Advance

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

OCC £'000	PCC £'000	Total 2017 £'000	Creditors and Receipts in Advance	OCC £'000	PCC £'000	Total 2018 £'000
0	6,940	6,940	Central government bodies	0	7,625	7,625
0	4,916	4,916	Other local authorities	0	4,665	4,665
0	24	24	NHS bodies	0	16	16
0	1	1	Public corporations	0	0	0
7,997	7,157	15,154	Other entities and individuals	9,347	8,441	17,788
7,997	19,038	27,035	Balance as at 31 March	9,347	20,747	30,094

22 Short and Long Term Provisions

Short and Long Term Provisions	Balance 1 April 2017 £'000	Reversed Unused £'000	Used in Year £'000	New in Year £'000	Balance 31 March 2018 £'000
Insurance	7,781	0	-939	4,260	11,102
Legal services	202	-164	-73	742	707
Ill-health & termination benefits - OCC	315	0	-315	2,025	2,025
Overtime liability - OCC	2,143	0	-24	850	2,969
Employment support allowance - OCC	353	0	-235	0	118
	10,794	-164	-1,586	7,877	16,921

Following advice from our insurance experts as part of the annual review the insurance provision has increased to £11,102,000 to meet specific provision known potential liabilities and higher than anticipated future losses. The insurance provision is based upon an actuarial evaluation of the discounted insurance liabilities as at 31 March 2018 and includes a provision for the potential top up levy to Municipal Mutual Insurance Ltd's Scheme of Arrangement. This evaluation is based on the paid and outstanding claims position at this date. It should be noted that the timing of outflows in respect of these liabilities is inherently uncertain and events may not occur as expected.

The legal services provision of £707,000 represents an estimate of the legal costs associated with the outcome of outstanding legal cases, of which £62,000 is anticipated to be resolved in 2018/2019. The remaining £645,000 should be resolved in 2019/2020.

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

- The ill health and termination benefits provision of £2,025,000 is where approval was agreed at 31 March 2018 to make the payments during 2018/2019;
- The overtime liability provision at 31 March 2018 is in respect of claims for overtime worked in prior years. These claims should be resolved in 2018/2019;
- The employment support allowance provision of £118,000 relates to the underpayment of injury on duty pensions. These payments should be made in 2018/2019.

23 Contingent Liabilities

We have reviewed the position in respect of contingent liabilities as at 31 March 2018.

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 and Somerset, along with other Chief Constables and the Home Office, currently has 55 claims lodged against them with the Central London Employment Tribunal. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. Claims of unlawful discrimination have also been made in relation to the changes to the Judiciary and Firefighters Pension regulations. These claims have been heard in the Tribunal and Appeal Tribunal and the respondents are appealing against the Appeal Tribunal judgements. In the case of the Firefighters the claimants are also appealing against aspects of the judgement. The outcome of these further appeals may determine the outcome of the Police claims. The Tribunal has agreed to stay the Police hearing and the Home Office has requested that the stay is extended in light of the further appeals. In the event that the Police claims are successful it is unclear what remedy would be applied, whether this would require further legislation, and who it would impact. Given the fact that the Judiciary and Firefighter claims are subject to further appeal and the Police claims are yet to be heard, and the uncertainty regarding remedy at this point in time it is not possible to provide an estimate of the financial effect in the event that the claims are partially or fully successful. Therefore it has been assessed that the Chief Constable has no liability at the 31 March 2018;
- The Constabulary has approximately 30 on-going legal claims for which the outcome is uncertain and the quantum of any potential settlement unknown; for these reasons no provision has been made in the 2017/2018 Financial Statements.
- In calculating our provisions we have had to make assumptions which may be inaccurate, leading to potential liabilities for any underprovision.

The amounts and the timings of when these liabilities will become due are unknown.

24 Funds and Reserves

24.1 Revenue Reserves and General Fund

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

Revenue Reserves 2016/2017	Balance 1 April 2016 £'000	Reserves Used in Year £'000	Transfers to Reserves in Year £'000	Balance 31 March 2017 £'000
Carry forwards	474	-474	256	256
Neighbourhood policing	251	-25	0	226
Operations	1,500	0	0	1,500
Overtime liability	1,200	0	0	1,200
Buildings and sustainability	1,499	-370	0	1,129
Transformation	7,472	-4,833	1,876	4,515
Total discretionary reserves	12,396	-5,702	2,132	8,826
SW ROCU	2,138	-1,590	627	1,175
Proceeds of crime	0	0	533	533
Detained property	1,004	-1,248	1,882	1,638
Insurance reserves	1,948	-497	485	1,936
Grants carried forward	683	-1,284	1,577	976
Hinkley Point	66	0	19	85
Road safety	899	0	638	1,537
LRF reserve	37	0	45	82
Victim support services	885	-587	438	736
Miscellaneous reserves	332	-222	189	299
Total non-discretionary reserves	7,992	-5,428	6,433	8,997
Capital financing	1,972	-451	164	1,685
Earmarked capital reserves	89	-61	197	225
PFI change reserve	558	-122	18	454
PFI interest smoothing	2,820	-111	0	2,709
Sinking fund reserve	3,512	0	315	3,827
Total capital and PFI reserves	8,951	-745	694	8,900
Total earmarked reserves	29,339	-11,875	9,259	26,723
General Fund	10,400	0	0	10,400
Total General Fund Balance	39,739	-11,875	9,259	37,123

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

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

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

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

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

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

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

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

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

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

The insurance reserve has been used in the past to cover the vehicle, public and employer's liability risk. The fund is subject to an annual actuarial review to assess the potential liabilities and has been used to supplement our external insurance provision. Changes in internal policy mean that the internal insurance provision is sufficient without the need for a supplementary reserve.

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

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

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

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

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

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

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

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

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

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

The PFI interest smoothing reserve had been created in order to smooth the interest costs over the 25 year life of the PFI contract however during the year it was deemed that the fund is no longer critical.

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

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

24.2 Capital Reserves

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

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

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

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

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

25 Capital Financing

2016/2017 £'000	Capital Expenditure and Financing	2017/2018 £'000
100,601	Opening capital financing requirement	103,071
	Capital investment	
15,925	Property, plant and equipment	19,075
	Sources of finance	
-5,662	Capital receipts	-13,573
-1,939	Government grants and contributions	-1,915
-1,449	Revenue contributions	-1,498
-1,007	Earmarked reserves	-247
-3,371	Minimum revenue provision	-3,681
-27	Capital creditors	-374
<hr/> -13,455		<hr/> -21,288
103,071	Closing capital finance requirements	100,858
	Explanation of movements in year	
2,470	Increase/decrease(-) in underlying need to borrow	-2,213
<hr/> 2,470	Increase/decrease(-) in capital financing requirement	<hr/> -2,213

26 Financial Instruments

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

	Current		Long Term		Total	
	31 March	31 March	31 March	31 March	31 March	31 March
	2017	2018	2017	2018	2017	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost						
Bank overdraft	170	116	0	0	170	116
Borrowings	3,709	1,176	37,307	38,630	41,016	39,806
Creditors	13,164	14,803	0	0	13,164	14,803
PFI	1,485	1,430	57,931	56,500	59,416	57,930
Total	18,528	17,525	95,238	95,130	113,766	112,655
Loans and receivables						
Cash and cash equivalents	17,212	19,215	0	0	17,212	19,215
Investments - Short term	16,000	12,000	0	0	16,000	12,000
Investments - Long term	0	0	3,000	0	3,000	0
Debtors	27,433	30,421	0	0	27,433	30,421
Car loans	0	0	46	32	46	32
Total	60,645	61,636	3,046	32	63,691	61,668
Fair value through comprehensive income and expenditure						
Cash and cash equivalents	0	2,000	0	0	0	2,000
Total	0	2,000	0	0	0	2,000

The fair value of the PWLB loans has been assessed at £37,190,343 (31 March 2017 £39,713,485) compared with a book value of £28,031,789 (31 March 2017 £29,208,105).

The fair value of LOBO loans has been assessed at £18,189,096 (31 March 2017 £17,898,571) compared with a book value of £11,775,000 in both years. Under the terms of these loans the lender has the option to vary the interest rate at specified points in time. These loans are detailed in the following table.

Lender Option Borrower Option (LOBO)						
2017 £'000	Drawdown Date	2018 £'000	Period	Next Option Date	End Date	Interest Rate %
6,500	17/01/2005	6,500	30 yrs	-	17/01/2035	4.50
2,500	30/01/2008	2,500	70 yrs	30/01/2023	31/01/2078	3.99
2,775	12/02/2008	2,775	70 yrs	12/02/2020	14/02/2078	4.10
11,775	Total	11,775				

The fair value of PWLB and LOBO loans has been assessed as level 2 where the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be

offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the reduced interest the authority will pay and the remaining terms of the loans under their agreement against what would be paid if the loans were at prevailing market rates.

At 31 March 2018 the fair value is assessed as level 1 for cash and equivalents at £21,076,596, and short term investments at £12,014,227.

31 March 2017 £'000		31 March 2018 £'000
37,000	Debtors and payments in advance on balance sheet	39,038
-2,219	Less VAT	-896
-7,348	Less payments in advance	-7,721
<u>27,433</u>	Debtors in financial instruments note	<u>30,421</u>
-27,035	Creditors and receipts in advance on balance sheet	-30,094
5,874	Less tax	5,944
7,997	Less OCC payroll accruals	9,347
<u>-13,164</u>	Creditors in financial instruments note	<u>-14,803</u>

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

	Financial Liabilities		Financial Assets	
	Liabilities Measured at		Loans and Receivables	
	Amortised Cost			
	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000
Interest payable and similar charges (excluding PFI)	-1,501	-1,574	0	0
Interest and investment income	0	0	399	290

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

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

26.1 Credit Risk

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

Treasury management services are provided by Somerset County Council. Any surplus cash is invested temporarily by the PCC's treasury management providers with specified financial institutions, money market funds, or other Government or public sector bodies. In order to ensure the PCC's risk exposure is minimised, credit ratings are monitored on an ongoing basis, and individual counterparty ratings are verified on

the day of investment. As directed by the revised CIPFA Treasury Management Code, account is taken using ratings issued by three main rating agencies, Fitch, Moody's, and Standard & Poor's. Decisions are taken based on the lowest of these ratings. It should also be noted that a range of additional indicators are used to assess counterparty credit worthiness including for example credit default swaps, Government guarantees and support, and share price. All investments are held in sterling deposits and are rated as per the lending Counterparty Criteria approved each year by the PCC.

At 31 March 2018 investments can be analysed as follows:

Fitch Credit Rating	31 March 2017 £'000	Default %		Fitch Credit Rating	31 March 2018 £'000	Default %
AAA	4,059	0.13	Deposits with Money Market Funds	AAA	62	0.13
AA	3,000	0.05	Deposits with local authorities	AA	3,000	0.05
A	18,000	0.06	Deposits with UK banks	A	14,000	0.06
AA	11,000	0.05	Deposits with Overseas banks	AA	11,000	0.05
-	0	-	Deposits with Overseas banks	A	3,000	0.06
N/A	0	N/A	CCLA property fund	N/A	2,000	N/A
	36,059		Total		33,062	

Included within long term loans are car loans to officers and staff which totalled £31,627 at 31 March 2018. These loans are only granted to those who have been designated as essential users of cars for the performance of official duties. Interest on these loans is charged in accordance with set policy which reflects market rates of interest. These loans are considered to be fully recoverable.

Debtors, classified as receivable financial instruments, are due within one year with no interest being payable. As such the fair value of these receivables is the same as the original invoice amount. They include £16,676,782 pension fund account debtor with the Home Office (2016/2017 £15,373,930).

The PCC does not generally allow credit for customers. With the exception of those debts where recovery is certain the PCC impairs all debtors greater than 6 months old and 10% of those debtors between three and 6 months. At 31 March 2018 the total value of these impairments was £439,875 (31 March 2017 £326,494). The remaining value of unimpaired debtors can be analysed as follows:

31 March 2017 £'000	Unimpaired Debtors	31 March 2018 £'000
1,992	Less than three months	1,985
35	Three to six months	69
2,027		2,054

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

Refer to note 18 for the balances on both debtors and payments in advance.

26.2 Liquidity Risk

The PCC has a comprehensive cash flow management process managed on our behalf by Somerset County Council that seeks to ensure that cash is available as needed. At 31 March 2018 the PCC had £62,000 (31 March 2017 £4,059,000) in call accounts available to manage short term liquidity requirements. The PCC had a further £33,000,000 invested for a period of up to one year from the balance sheet date (31 March 2017 £29,000,000).

26.3 Market Risk

26.3.1 Interest Rate Risk

The PCC is exposed to risk in terms of interest rate movements on investments. A 0.5% change in interest rates could increase or reduce investment income by £155,310 based on the current level of investments.

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

26.3.2 Price Risk

The PCC does not invest in equity shares other than in the Police Staff Pension Scheme (note 15). This means that the PCC has no exposure to price risk outside of the Local Government Pension Scheme.

26.3.3 Foreign Exchange Risk

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

Police & Crime Commissioner for Avon & Somerset

Avon & Somerset Police Officers Pension Fund Account Statements - OCC

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

This note provides a more detailed breakdown of the figures shown in note 14 of the accounts.

2016/2017 £'000	Police Officers Pension Fund Account	2017/2018 £'000
	Contributions receivable	
	Employers contributions:	
-20,647	Normal (21.3% contributions)	-20,191
-1,195	Ill health/early retirements	-1,265
<u>-21,842</u>		<u>-21,456</u>
	Employee contributions	
-6,034	1987 Police Pension Scheme	-4,970
-103	2006 Police Pension Scheme	-114
-7,218	CARE Police Pension Scheme	-7,887
<u>-13,355</u>		<u>-12,971</u>
-298	Transfers in from other schemes	-123
	Benefits payable	
70,265	Pensions	72,531
18,243	Commutations and lump sum retirement benefits	17,582
<u>88,508</u>		<u>90,113</u>
	Payments to and on account of leavers	
38	Refund of contributions	64
0	Transfers out to other schemes	0
100	Other	131
<u>138</u>		<u>195</u>
53,151	Net amount payable for the year	55,758
-2,811	Additional contribution from the local policing body	-2,749
-50,340	Transfer from Police Fund to meet deficit	-53,009
<u>0</u>	Net amount payable/receivable for the year	<u>0</u>

There is an adjustment of 2.9% to the cash flow due to a reduction in the employer contribution rate for police pension schemes being reflected in pensions top-up funding.

This note shows the pension fund account assets and liabilities as at 31 March 2018.

31 March 2017 £'000	Pension Fund Net Assets	31 March 2018 £'000
	Current assets	
5,935	Amounts due from Central Government	6,834
	Current liabilities	
-5,935	Amounts owing to pensioners	-6,834
<u>0</u>	Net assets	<u>0</u>

Police & Crime Commissioner for Avon & Somerset

Glossary of Terms

Term	Definition
Accounting policies	These are a set of rules and codes of practice we use when preparing the accounts.
APCC	The Association of Police and Crime Commissioners
Balance sheet	This represents our overall financial position as at 31 March.
Capital programme	This is a list of projects for buying or improving fixed assets. With the exception of vehicles, items individually acquired typically under £12,000 are not treated as capital expenditure.
Cash flow statement	Summarises the income and outgoings of cash during the financial year.
Closing value	The value at 31 March, the date when the accounts are closed.
Collection fund adjustment account	Difference between council tax cash received and the amount shown in the comprehensive income and expenditure statement.
Commutated sums	These are the lump sum amounts paid to officers when they retire, if they choose to have a lower pension.
Comprehensive income and expenditure statement	Summarises the income and expenditure during the financial year.
Contingent liabilities	A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
CoPaCC	Compares Police and Crime Commissioners
Creditors	Amounts which are owed to others.
CSE	Child Sexual Exploitation
CSP	Community Safety Partnerships
CSR	Comprehensive Spending Review
CTSFO	Counter Terrorism Specialist Firearms Officers
Current assets and liabilities	Assets or liabilities which can be turned into cash or fall due within one year of the balance sheet date.
Current service cost	The value of projected retirement benefits earned by pension scheme members in the current financial year.
Debtors	Amounts which are due from others.
Depreciation	An amount set aside to pay for the gradual loss in value of our assets.
Detained property	These are items of property and cash, which are held until the courts decide who owns them.
ERP	Enterprise Resource Planning

Term	Definition
Expenditure and funding analysis	This shows the performance reported and the adjustments made to reconcile to the comprehensive income and expenditure statement.
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.
Financial instruments	Contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial year	Refers to the period covered by the accounts and runs from 1 April to 31 March.
Fixed assets	These are items such as land, buildings, vehicles and major items of equipment, which give benefit to us for more than one year.
FRS	Financial Reporting Standards. Standards of accounting practice to be adopted to ensure that accounts provide a true and fair view.
GAAP	Generally Accepted Accounting Principles. These refer to the standard framework of guidelines for financial accounting used in any given jurisdiction and generally known as accounting standards.
Historical costs	These are the amounts paid at the time we bought the assets.
HMICFRS	Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services
HMICFRS PEEL	The HMICFRS PEEL assessment stands for Police Effectiveness, Efficiency and Legitimacy.
HMRC	Her Majesty's Revenue and Customs. Responsible for the collection of tax in the UK.
IAS	International Accounting Standard. An international accounting standard to help harmonise company financial information across international borders. Subsequently superseded by International Financial Reporting Standards (IFRS).
ICT	Information, Communications and Technology
IFRS	International Financial Reporting Standards. A set of international accounting and reporting standards that will help to harmonise company financial information across international borders.
Intangible fixed assets	Assets that are not physical such as software licences.
JAC	Joint Audit Committee
LOBO loans	Lender Option Borrower Option loans are where the interest payable is agreed at the time the money is borrowed. If the lender wants to change the interest rate the borrower has the choice to pay at the new rate or repay the loan.
Liquid assets	Liquid assets are made up of cash and other items, which can be exchanged for cash. Procedures are in place to make sure that they are kept securely and properly accounted for.
Minimum revenue provision	This is the lowest amount allowed by the Government which has to be charged to the accounts for repaying loans.

Term	Definition
MoJ	Ministry of Justice
Movement in reserves statement	Summarises the movement in the reserves of the PCC during the financial year.
MTFP	Medium Term Financial Plan
National non-domestic rates income	The national non-domestic rates (or business rates) are collected by District Councils, paid to the Government and then distributed to all local authorities in proportion to population. The amount received by an authority is taken into account by the Government in determining the revenue support grant to be paid.
Niche	Police records management system
OCC	Office of the Chief Constable
OPCC	Office of Police and Crime Commissioner. Staff employed by the Police and Crime Commissioner.
PACCTS	Police and Crime Commissioners Treasurer's Society
Past service cost	The change in the present value of the defined benefit obligation for employee service in prior periods resulting in the current period from the introduction of, or changes to, post employment benefits.
PCC	Police Crime and Commissioner for Avon and Somerset
PCC Group	The term PCC Group refers to the Police and Crime Commissioner (PCC) for Avon and Somerset and the office of the Chief Constable (OCC).
PCP	Police and Crime Panel
PCSO	Police community support officer
PDR	Performance and Development Review
Pension appropriations	This is the adjustment required to reduce the costs of pensions to the sum to be collected from taxation in the year.
PFI	Private Finance Initiative
Police pension top-up grant	The PCC operates a Pension Fund, which is balanced to nil at the end of the year. The PCC receives a top-up grant from the Home Office equal to this deficit to balance the fund.
Police revenue grant	The revenue grant is provided by the Home Office as part of the funding required by the PCC to finance a budget in line with the Government's assessment. The balance of funding is from business rates, revenue support grant and council tax.
Precept	The amount of council tax collected on the PCC's behalf by local billing authorities.
Prepayment	A payment in advance for goods or services.
Provision	This is the money we keep to pay for known future costs.
PWLB	This is the Public Works Loan Board, which is an organisation financed by the Government. It lends money to PCC's on set terms so that they can buy capital items.
Receipt in advance	Income received in advance of the financial year in which the services will be provided.

Term	Definition
Revaluation reserve	This account represents the increase in value of our assets since 1 April 2007 over the amount originally paid for them.
Seconded officers	These are police officers who, for agreed periods, temporarily work for other organisations. Their salaries and expenses are shown as spending and the money the organisation pays us for their placements is shown as income.
Servicing of finance	This is a technical term and is usually the interest paid on loans.
SW1	Southwest One
SW ROCU	South West Regional Organised Crime Unit
Unapportionable central costs	These represent costs that do not directly contribute to the running of the police service and which cannot be allocated to specific activities.



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

Further information can be obtained online at:-

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

www.avonandsomerset.police.uk (Constabulary Website)

Or in writing to:-

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